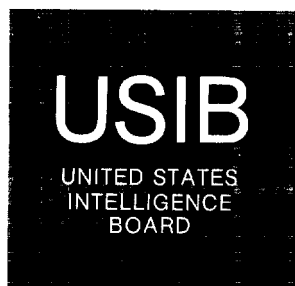


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National Intelligence Bulletin

State Dept. review completed

DIA review(s) completed.

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April 13, 1976

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Approved For Release 2007/03/07 : CIA-RDP79T00975A028800010022-8

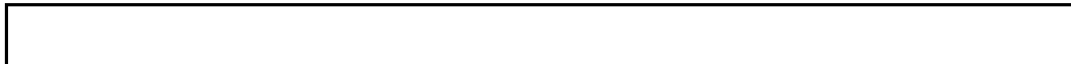
Approved For Release 2007/03/07 : CIA-RDP79T00975A028800010022-8

National Intelligence Bulletin

April 13, 1976

CONTENTS

LEBANON: No additional Syrian troop movements to border area	1
CHINA: Demonstrations designed to support new regime	3
ITALY: Continued drift toward early parliamentary election	5
TURKEY: Selection of air force commander stirs political controversy	7
CYPRUS: Police control anti-US demonstration	8
SPAIN: Basque terrorists weakened by own actions	9



25X1

USSR-EGYPT-CHINA: Egyptian China visit stirs sharp Soviet reaction	11
USSR: Soviet Jews deplore anti-Soviet violence in New York	12



25X1

SOUTH YEMEN: Attempts to improve relations with Gulf states	15
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National Intelligence Bulletin

April 13, 1976

LEBANON

There have been no additional Syrian troop movements to the Lebanese border area since the weekend. The major elements of three Syrian brigades are still along the border and remain in control of the Damascus-Beirut highway between the border and the road junction a few miles south of Zahlah.

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DIA

Israeli leaders are still avoiding public comment on the situation in Lebanon. Foreign Minister Allon refused to be drawn out on the subject at a special Knesset session yesterday, explaining that he felt it is extremely important to minimize public comment on Lebanon because of the critical nature of recent developments.

The Israeli press has generally followed the government's lead and avoided dramatizing Syria's actions. Many commentators, however, are expressing misgivings about the government's restraint. An editorial in Israel's largest daily yesterday warned that if the government continues to tolerate the piecemeal introduction of Syrian troops into Lebanon, it will not be able to claim surprise as an excuse if Israel is suddenly faced with a Syrian-occupied Lebanon.

Rumors yesterday of Syrian advances on Beirut caused some panic in the Lebanese capital and may have helped spark new fighting in the hotel district and in several other contested areas in the suburbs and the mountainous areas east of the city. Although the clashes have subsided, a wave of kidnappings—now a common ritual at the beginning of a new cease-fire agreement—has kept tensions high.

Other areas of the country are relatively quiet. According to US embassy sources, the leader of the renegade Muslim army operating in the north around Tripoli is now cooperating with Syrian-controlled troops to "pacify" the area. Another rebel officer based in the south near Sidon is also reportedly cooperating with the Syrians. In the east, the Syrian troops that moved across the border over the weekend apparently have succeeded in lifting the leftist siege of the Christian city of Zahlah and are delivering much-needed food and fuel to Christian villages in the area.

Officials close to President Franjiyah have told the embassy that Franjiyah will sign the amendment to the constitution providing for his departure before this

National Intelligence Bulletin

April 13, 1976

Thursday. There has been no breakthrough, however, in the debate over Franjiyah's successor.

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The Soviet navy, meanwhile, continues to maintain a close watch on the US naval task force anchored southeast of Crete. The Soviets have four surface warships, some support ships, and probably several submarines in the area of the 11-ship US force, which includes the aircraft carrier Saratoga.

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National Intelligence BulletinApril 13, 1976

CHINA

The rallies that have been held throughout China since April 8 to mark the dismissal of Teng Hsiao-ping and the appointment of Hua Kuo-feng as premier and as first vice chairman of the party have been well organized and orderly. The rallies seem designed to underline the contrast with the unruly demonstrations of April 5 and to convey an image of popular support for the new personnel decisions.

Participants in the rallies included several provincial officials who had not previously lent their public support to the campaign against Teng, as well as some who had themselves been under attack. Under the circumstances, it would be in the interest of these provincial leaders to dissociate themselves from Teng and to dispel any suspicion that they had been "colluding" with him. In any event, the prominent role they have taken at the rallies suggests they are not at present under serious political pressure and that the campaign against Teng will not spread to other political moderates. In fact, a Chinese official informed [redacted] on April 10 that the minister of education, who had been under attack along with Teng since last autumn, had made a "satisfactory recantation" and that there would be no wide-scale reprisals against Teng supporters.

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Most of China's powerful regional military commanders, who had previously seemed to adopt a wait-and-see attitude, took part in the rallies. The Chinese news agency has reported numerous rallies involving military units in support of the decisions of April 7 at which high-level military figures spoke.

There have been virtually no rallies of this sort since the Lin Piao "coup" of 1971, and the sudden emergence of the military in a political connection suggests that prominent military figures may have played an important role in piecing together last week's apparent compromises. It is possible that political pressure against the military, a prominent feature of Chinese politics in the past several years, may now ease.

In contrast to the public appearances of several moderate leaders in the provinces and some in Peking, China's leading leftists have not appeared since the announcement on Hua and Teng. Their absence further suggests that the party's left wing is not entirely satisfied with the outcome of the anti-Teng campaign.

Despite the large provincial rallies, Teng's dismissal is probably no more popular in the provinces than was the campaign against him, which failed to generate much enthusiasm. The Chinese populace has undoubtedly been unsettled by the sudden leadership changes. Some Chinese officials abroad have also reacted to the personnel changes with uncertainty and concern, and a few have been unwilling to discuss the decisions.

National Intelligence BulletinApril 13, 1976

Given the signs of continued disunity at the top, Hua Kuo-feng's ability to head a leadership coalition effectively remains in question. He does not appear to have a power base of his own other than the relatively narrow one of the public security apparatus, which has until recently been largely ineffective and disorganized. As a relative newcomer to the highest levels of the regime, Hua lacks the experience and many long-standing ties to important second-level figures that both Chou En-lai and Teng Hsiao-ping possessed. Although Hua's political roots are in Hunan, Mao's home province, there is no evidence that he is personally close to the Chairman.

The leadership clearly needs a mediator like Chou En-lai to bring the various factions together, but it is far from certain that Hua can function effectively in that capacity. Others in the leadership, notably leftist Politburo members Chang Chun-chiao and Wang Hung-wen, may have had their eye on one or the other of Hua's new jobs and may harbor some resentment toward him. Hua can probably count on the cooperation of moderates in the leadership for implementation of policies, but he will have to tread a careful path between pursuing relatively moderate policies and giving sufficient weight to the left's interest in the political struggle.

Hua's ability to survive the twists and turns of the cultural revolution in his home province a decade ago indicates that he has some experience in playing this political game at the provincial level. At the national level, however, the stakes are much higher, and Hua is as yet untried.

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National Intelligence Bulletin

April 13, 1976

ITALY

Italy continues to drift toward an early parliamentary election. All party leaders are trying to avoid responsibility for triggering the contest, and debate now appears to focus more on how to precipitate the election than on how to avoid it.

A series of party strategy sessions and the resumption of parliamentary activity this week will probably move the situation into a decisive phase.

The Socialist directorate is meeting today to discuss the party's next move. The Socialists have been pushing for either an election or the replacement of Prime Minister Moro's Christian Democratic cabinet with an emergency government that would negotiate its economic program with the Communists. Since the rejection of the emergency formula by the Christian Democrats last week, Socialist chief De Martino has welcomed the prospect of an election but remained reluctant to open his party to blame by toppling the Moro government.

A Socialist decision to abandon Moro could come today, but the party will probably await the outcome of a meeting tomorrow of the Christian Democratic national council.

The Christian Democrats are divided over their next step. The party's center-right leaders—who generally see more advantages than disadvantages in an early election—are reportedly recommending that Moro resign. They believe his resignation might increase their chances of installing a conservative as caretaker prime minister during the pre-election period.

The Christian Democratic left—led by Moro and party chief Zaccagnini—want to schedule a parliamentary confidence vote on the government's economic program. These Christian Democrats—who still hope to avoid or at least to postpone an election—argue that such a vote would call the Socialists' bluff, forcing them either to abandon their threat or accept responsibility for the government's fall.

Parliament seems likely to approve in the next few days a Socialist-sponsored bill that would reduce the preparatory period for the national election from 70 days to 45. Passage of the bill would weaken the argument of politicians who oppose an election on the grounds that the country cannot afford the lengthy period of governmental paralysis that usually accompanies a campaign.

For his part, Communist leader Berlinguer continues to maintain that the Christian Democrats are responsible for the current impasse because they refused to

National Intelligence Bulletin

April 13, 1976

accept his offer to cooperate in dealing with the country's problems. Berlinguer is likely to stress this theme in any election campaign.

The economy continues to reflect the deteriorating political situation. The lira, which plunged to a record low of 898 against the dollar yesterday, will remain weak as long as political uncertainties persist. Inflation is running at an annual rate of 30 percent, and additional price hikes can be expected as the sharp depreciation of the lira continues to boost the cost of foreign goods. These problems drove the Italian stock market to a record low yesterday. Italy's trade deficit in February was the worst in any month since 1974, and the gap might widen in coming months when the need to restock inventories will spark import purchases.

Moro's proposed austerity program has soured the government's relations with Italy's powerful labor unions. The government made no progress in an emergency meeting last week designed to encourage labor restraint in the current wage negotiations. [REDACTED]

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National Intelligence Bulletin

April 13, 1976

TURKEY

The selection of a new Turkish air force commander is exposing differences within the military leadership and the government that the opposition is attempting to exploit.

The debate was touched off in early March when air force chief Alpaya resigned, following allegations that he had received bribes from an Italian aircraft company. General Staff chief Sancar reportedly recommended the next ranking air force general, Irfan Ozaydinli, for the top post. Prime Minister Demirel, however, vetoed Ozaydinli's appointment naming instead the number-three man, General Cemal Engin, as acting chief.

Demirel's motives, in fact, probably are political, as the opposition charges. He takes a dim view of Ozaydinli's reported support of the opposition Republican People's Party and his ties to a former air force commander instrumental in forcing Demirel from power in 1971. National Salvation Party leader Erbakan, who holds the balance of power in Demirel's coalition government, is also thought to oppose Ozaydinli's elevation because, as a martial law commander between 1971 and 1973, Ozaydinli allegedly cracked down on Erbakan's supporters for their outspoken religious views.

Opposition leader Ecevit during recent months has attempted to oust Demirel over a variety of issues. Last week he publicly charged Demirel with unwarranted interjection of politics into the military. Ecevit doubtless hopes that this time he has found an issue he can effectively exploit to weaken Demirel.

Ecevit's charges were buttressed last week when one of Demirel's minor coalition partners announced that he would not accept any further delay in the appointment of an air force chief.

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Having fended off Ecevit's earlier attempts to unseat him, Demirel seems to be confident he can do it again. He appears to believe that his negotiation of a new defense pact with the US has left him with a reservoir of good will with the military that he can draw on in holding out against Ozaydinli. He no doubt is also aware that the military leadership is prevented from speaking with one voice by a division between those—such as Ozaydinli—who favor a more active political role for the military and those who do not.

National Intelligence Bulletin

April 13, 1976

Whatever the outcome of the Ozaydinli case, it is likely to have continuing political implications. If he is finally appointed, Ozaydinli will bring to the highest levels of military leadership a penchant for political involvement not presently there. If he is not appointed, the matter is likely to remain as yet another irritant in an already unstable political situation.

Perhaps more important is the possibility that the intrigue and string-pulling involved in Ozaydinli's case could further alienate junior and middle-level officers,

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CYPRUS

Firm countermeasures by Cypriot police prevented anti-American demonstrators in Nicosia yesterday from penetrating the US embassy grounds.

Some of the 1,000 demonstrators succeeded in penetrating two of the three outer protective barriers, but they were eventually forced back by the police, who used tear gas to disperse the crowd. There were some injuries on both sides.

A five-man delegation was subsequently allowed to deliver a letter to the embassy protesting the new US-Turkish Defense Cooperation Agreement and its alleged consequences for Cyprus. The delegation left quietly when it was informed that Greek Foreign Minister Bitsios had just departed for Washington to discuss additional military assistance for Greece. The announcement of Bitsios' visit could lead to a cancellation of follow-up demonstrations set for the coming days and weeks.

US embassy officials in Nicosia attributed the Cypriots' firm handling of the demonstration to strong warnings by the US, which were fully supported by the Greek government in Athens.

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National Intelligence Bulletin

April 13, 1976

SPAIN

Basque terrorists may have seriously misjudged the reaction to their recently intensified campaign of violence in the troubled northern provinces of Spain.

The murder last Thursday of a kidnaped industrialist by terrorists of the Basque Fatherland and Liberty organization has provoked a widespread outcry throughout Spain, and particularly in the Basque region. The Christian Democratic - oriented Basque Nationalist Party, which probably represents the majority of the Basque population, called the murder a setback for Basque autonomy. The Basque Nationalists have never before spoken out against terrorist violence.

A further indication that the terrorists may have tarnished the Robin Hood image that had won for them at least the passive support of a large segment of Basques was the funeral service for the murdered industrialist; some 15,000 turned out in a massive outpouring of public disapproval of the terrorists' actions.

Police have carried out large-scale raids in and around the city of San Sebastian since last Thursday, when the kidnaped industrialist's body was found. Last night the government announced that three of the four accused murderers had been arrested along with 84 other persons charged with being members of the Basque Fatherland and Liberty terrorist group.

The Basque terrorist cause may have been dealt yet another blow by the recent disappearance of two Spanish policemen in the French border town of Hendaye. Basque Fatherland and Liberty is believed involved, although until now the organization has avoided carrying out operations on the French side of the border for fear of stirring up the French authorities and endangering the Spanish Basque apparatus in France.

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Approved For Release 2007/03/07 : CIA-RDP79T00975A028800010022-8

National Intelligence BulletinApril 13, 1976

USSR-EGYPT-CHINA

Press reports from Cairo that a senior Egyptian delegation will soon travel to Peking to discuss military and economic cooperation have evoked one of Moscow's harshest reactions since President Sadat's announcement on March 14 of his intention to abrogate the Soviet-Egyptian friendship treaty.

In a *Pravda* commentary on Saturday, Moscow gave a pointed defense of Soviet activities in Egypt. The article avoids direct threats against Egypt, but it notes that Cairo's defensive effort during the October war in 1973, "of which the Egyptian leadership is so proud," was achieved as a result of Soviet arms supplies and technical assistance.

Because of what *Pravda* describes as Peking's well-known support for any anti-Soviet activity, it says it is natural for China to develop a sympathetic attitude toward Egypt at a time when Moscow is being attacked by much of the Cairo press. The article notes that Egyptian journalists have distorted the facts of Soviet-Egyptian cooperation, a relationship which has always been to the benefit of the Egyptian people. In the most explicit appeal to the Egyptian domestic opposition thus far, the article claims that "essentially patriotic forces" in the country oppose the "subversion" of friendly Soviet-Egyptian ties and that only "international imperialism" and certain "Egyptian bourgeois circles" can gain from Cairo's present policy.

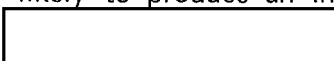
Foreign Minister Fahmi announced on Sunday that Cairo's mission to Peking will be headed by Vice President Mubarak. Fahmi, who is in Vienna accompanying President Sadat on his European tour, did not indicate the date of the visit. The Western press quoted him to the effect that the China trip was the result of an exchange of messages between Sadat and Chairman Mao. At the same time, Cairo's information minister described the events as a "new phase" in Sino-Egyptian relations, and other Egyptian officials claimed that Peking has agreed to furnish spare parts for Soviet military equipment and Soviet-supplied industrial machinery.



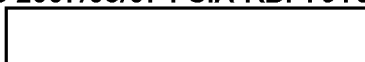
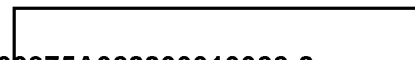
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The prospect that Peking may use the current impasse in Soviet-Egyptian relations to improve its ties with Cairo is undoubtedly an unsettling thought for the USSR. Although it is doubtful the Chinese can offer assistance of any real significance, the symbolic importance, at least of the upcoming Egyptian visit, seems likely to produce an increasing flow of anti-Sadat rhetoric from Moscow.

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National Intelligence Bulletin

April 13, 1976

USSR

Two of Moscow's most prominent Jewish activists have told the US embassy of the "shock and concern" felt by Soviet Jews over the demonstrations and violence directed by Jewish extremists at the Soviet UN mission in New York.

Both men said they have tried to communicate through Western newsmen in Moscow the "revulsion" that Soviet Jews feel at this kind of activity, believing it to be wholly inimical to their cause. One of the activists said he was "dismayed" to learn that he is among those whose cases are championed by the so-called Jewish Armed Resistance.

The two dissidents agreed that the events in New York could result in more official intransigence than ever toward all would-be Jewish emigrants, as well as activists like themselves, who have been repeatedly denied exit permits. They said that, at the very least, the violence would reinforce latent anti-Semitism found at most levels of the Soviet bureaucracy, especially in the provinces where officials are under less compunction to mask their prejudices.

The activists expressed particular concern lest a Soviet child become a shooting victim in New York. In their view, the violence up to now—shooting apart—was something the Soviet government "could understand and cope with," but physical harm to a Soviet child would evoke a genuine sense of outrage among all Soviet citizens.

These sentiments appear to be widespread, especially among the top layer of educated, articulate activists, who are subject more than others to the arbitrariness of the bureaucracy. Their statements also recall the fears expressed by many activists last January that the bomb incidents in New York, which coincided with the UN debate on the Middle East, could lead to Soviet moves against Jews in the USSR on the grounds of "security."

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Approved For Release 2007/03/07 : CIA-RDP79T00975A028800010022-8

National Intelligence Bulletin

April 13, 1976

SOUTH YEMEN

South Yemeni Foreign Minister Muti has visited Bahrain, Qatar, and the United Arab Emirates over the last 10 days to discuss economic assistance and the establishment of diplomatic relations. Muti also visited Kuwait, with which Aden already has diplomatic ties.

Since its announcement on March 10 of an agreement to normalize relations with Saudi Arabia, Aden has moved toward normalizing its ties with the other Arab states of the Persian Gulf. The rapprochement between Riyadh and Aden received wide approval during Saudi King Khalid's recent visit to the Gulf states, and South Yemen is probably trying to capitalize on this support.

Muti's hosts were generally noncommittal about the possibility of providing aid. They presumably will follow the Saudi example of moving slowly both in extending economic aid to Aden and in actually establishing embassies. The possible exception is Bahrain, since it has no funds to spare and feels that recognition of South Yemen already exists, inasmuch as both countries are members of the Arab League. Saudi Arabia's actions remain the key, and Riyadh is carefully monitoring South Yemeni intentions before it initiates any further steps toward normalization.

Although the Saudis have reportedly agreed to provide some economic aid as part of normalization, Aden would like further to diversify its sources of assistance. Kuwait, Qatar, and the United Arab Emirates could be primary sources for funds to develop Aden's mineral and oil resources and to support other developmental projects.

For Aden, rapprochement with Saudi Arabia is a major turning point in its foreign policy. South Yemen's Marxist government opposes the vestiges of colonialism and the traditional tribally based oligarchies found in other countries of the Arabian Peninsula. This image has prevented Aden from receiving any substantial economic assistance from the more moderate Arab countries. Although South Yemen will probably temper its Marxist rhetoric, it will probably remain covertly committed to subversion. [REDACTED]

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